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Markets

Apple Tops Saudi Aramco as World's Most Valuable Company

By Jeran Wittenstein and Matthew Martin
July 31, 2020, 11:35 AM EDT *Updated on July 31, 2020, 5:11 PM EDT*

- IPhone maker soars to record after earnings beat estimates
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Apple Inc. became the world's most valuable company with its market value overtaking Saudi Aramco in the wake of better-than-expected earnings.

Apple jumped 10% on Friday, ending the day with a record market capitalization of $1.817 trillion. It's the first time the company's valuation has surpassed that of Saudi Arabia's national oil company, which made its market debut in Riyadh in December, and is valued at $1.76 trillion. Before that, Apple had vied with Microsoft Corp. for the title of the U.S.'s largest public company.

The dethroning of Aramco comes after a tumultuous period for the Saudi company. Its initial public offering fell short of Crown Price Mohammed bin Salman's expectations. The kingdom's de facto ruler initially wanted a valuation of $2 trillion and to raise $100 billion. But after foreign investors balked at the pricing, the government settled on a smaller domestic offering and raised about $30 billion, still the largest IPO ever.

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Then came this year's plunge in crude prices as energy demand crashed with the spread of the virus. Aramco's second-quarter revenue probably dropped to about $37 billion from $76 billion a year earlier, according to analyst estimates compiled by Bloomberg. That's less than the $59.7 billion in sales that Apple reported for its most recent period.

Aramco's stock is down 6.4% since the end of December, though that's far less than the fall of other oil majors. Exxon Mobil Corp. has declined 40% and Royal Dutch Shell Plc has dropped 50%.

Apple, meanwhile, has benefited as the pandemic has strengthened the market positions of the world's biggest technology companies, which boast strong balance sheets and fast-growing businesses thanks to an acceleration in the shift to digital services. The iPhone maker's shares have gained 45% so far this year.

Read more: Big Tech Earnings Surge During Pandemic While Economy Slumps

(Adds closing share values throughout. A previous version of this story corrected the market cap gain.)

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Business

'We're Going to Ground the Plane': How Boeing's Max Was Parked

Nation after nation grounded Boeing's best selling 737 Max following the second of two crashes. U.S. officials said they needed more evidence. Then it arrived from Boeing itself.

By Alan Levin
October 31, 2020, 6:00 AM EDT *Updated on October 31, 2020, 4:51 PM EDT*

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Grounded Boeing 737 Max airplanes along the Duwamish River. *Photographer: David Ryder/Getty Images*

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For days after the second fatal crash of a Boeing Co. 737 Max last year, one nation after another halted flights on the beleaguered jetliner.

But officials in the U.S. held out, saying they needed hard evidence linking the two disasters to a common cause before grounding Boeing's best-selling jet. Early on the third day, that evidence arrived from Boeing itself.

One of the manufacturer's top safety officials called the U.S. Federal Aviation Administration's chief of safety, Ali Bahrami on the morning of March 13, 2019, according to documents released by investigators for the House of Representatives that reveal undisclosed details on the jet's grounding.

Satellite data of the crash in Ethiopia had been decoded the night before and showed similarities with a Max crash in the Java Sea months earlier, Bahrami said the Boeing official told him. Physical evidence from the scene also bolstered the linkage, he was told.

The crashes and subsequent investigations have cost Boeing billions of dollars, spawned a criminal probe and tarnished the reputations of both the company and FAA. Regulators are poised to restore the jet to service later this year after mandating changes to a flight control system that went haywire, contributing to the crashes that killed 346.

On that day in 2019, Bahrami abruptly ended the call with Elizabeth Pasztor, Boeing's then-vice president for safety in its commercial airplanes division, and rushed to the office of the FAA's then-acting Administrator Daniel Elwell. Bahrami said he recommended a halt to all Max flights and Elwell agreed.

"Then I immediately called Boeing and let them know, 'We're going to ground the fleet,'" Bahrami said.

Ali Bahrami during a Senate Appropriations Subcommittee on Transportation hearing in July, 2019. *Photographer: Andrew Harrer/Bloomberg*

The order sent U.S. airlines scrambling to find alternatives to the Maxes then in service and eventually led to a temporary shutdown of the Renton, Washington, factory that was making dozens of them a month and prompted airlines to begin canceling Max orders.

Bahrami has been a lightning rod for controversy during the lengthy 737 Max saga. A report by House Democrats on the missteps leading to the crashes singled him out for criticism.

Read more: Boeing Deception Alleged in Scathing Report on Max Crashes

For his part, Bahrami has largely remained out of the public spotlight during the tumultuous 20 months since the jet was shelved. The agency declined to make him available for an interview, saying his testimony speaks for itself.

But a transcript of a sometimes contentious six-hour interview he gave House investigators, released last month with the report, sheds new light on the agency's decisions on the Max, on Bahrami's role, and on the behind-the-scenes interactions between the probe on Capitol Hill and the FAA.

Bahrami played almost no part in certifying the Max, in some ways making him an odd choice as the focus of investigations after the accidents.

Born in Iran, Bahrami came to the U.S. in the mid-1970s to study engineering. He started work at FAA in 1989, moving to the agency after starting his career at McDonnell Douglas Corp., an aircraft maker that later merged with Boeing.

He rose to become head of the team in Seattle that oversaw Boeing. He left the agency in 2013 during the early stages of the Max's development to work at the Aerospace Industries Association trade group.

He returned to the FAA in 2017 -- somewhat reluctantly, he told investigators -- just before the accidents that have roiled the agency, and was the associate administrator for aviation safety when critical decisions were made to warn pilots about the first accident and to ground the plane after the second crash. Both decisions have been second guessed by critics.

Highest Ranking Official

Bahrami was grilled Dec. 5, the highest-ranking FAA official subject to a formal interview by House Democrats on the Transportation and Infrastructure Committee.

Neither side in the interview was happy with the result.

The report by committee Democrats took Bahrami to task after he said he wasn't aware about specifics of some agency actions. He repeatedly said he couldn't recall details about an FAA assessment of the risks of the Max conducted after the first crash in October 2018, whether he'd spoken to a Boeing official about retaining minimum pilot training for the plane and specifics on a decision to approve a design change on Boeing's 787.

But the FAA viewed the interview as something of an ambush, saying in advance that he may not be able to help with specifics because the committee hadn't provided him with questions in advance so he could consult records to refresh his memory.

"There may be situations in which Mr. Bahrami's personal knowledge or recollection of the documents or issues you raise is limited and his ability to answer some questions is similarly constrained," William McKenna, a Department of Transportation lawyer who was with Bahrami, said at the start of the interview.

An exchange that later prompted criticism of Bahrami in the report illustrates the chasm between the two sides.

Doug Pasternak, the committee's lead investigator into the Max, asked Bahrami about Boeing's decision -- approved by FAA -- to use a single sensor to trigger a controversial flight-control system that repeatedly dove both planes that crashed. The redesigned Max now uses two sensors.

Read more: Boeing Given Long List of Proposed Fixes for 737 Max Return

"On a personal level, did that raise serious red flags for you?" Pasternak said.

"No, it did not, and let me tell you why," Bahrami replied. One of the FAA's underlying safety philosophies is that pilots are supposed to be able to counteract such failures, he said.

"Pilots are part of the system, and we rely on the pilots to do certain things," Bahrami continued when asked why the agency didn't ground the jet after the first accident. All 737 pilots are taught how to counteract the malfunction that occurred in both crashes, he said. The agency since the crashes is revamping assumptions of how pilots react in emergencies.

Bahrami said he wished Boeing had been more forthcoming about design changes on the plane and called "unacceptable" text messages from a Boeing test pilot who insulted regulators behind their backs.

The interview, portions of which were conducted with questions from the friendlier Republican staff, also includes details that have never been released about the hectic three-day period after an Ethiopian Airlines jet crashed near Addis Ababa on March 10, 2019.

The second crash of a Max prompted nations such as China to almost immediately halt flights on the new model. Bahrami cited previous crashes, such as TWA Flight 800 that killed 230 people in 1996 and revealed systemic safety problems on thousands of planes -- but didn't prompt a grounding. He said he was waiting for some indication about what led the Max to go down in Ethiopia.

The high-speed impact had pulverized the Ethiopian jet and its two black-box recorders hadn't been downloaded yet. Most of the plane's pre-crash path was unknown. As nation after nation halted flights of the model, Bahrami's counterparts around the world called him, he said.

"All the conversation was, 'Ali, I'm really sorry, minister asked us to ground the fleet, and we have to do it,'" he said. "And I ask, 'What data? What information?' Nothing was presented to us. So when I was asked what is my recommendation, I said, 'I cannot make a decision to ground the fleet because I have no data.'"

Debris of the crashed Ethiopia Airlines jet near Bishoftu, Ethiopia, on March 11, 2019. *Photographer: Michael Tewelde/AFP/Getty Images*

Satellite Data

A day after the crash, the FAA had gotten the satellite tracking data that ultimately led to the grounding, but it was in a format the agency couldn't read, Bahrami said. The FAA turned it over to the National Transportation Safety Board, which was assisting in the Ethiopian investigation, he said.

The NTSB and Boeing were able to decipher it the following day. Bahrami said he was then told of its findings early on the next morning -- three days after the crash -- during the call with Pasztor, the Boeing safety official.

A Boeing spokesman declined to comment on the transcript and said Pasztor wouldn't be making any comment.

Pasztor gave Bahrami and his team access to a graphic that overlaid flight data from a crash off the coast Indonesia less than five months earlier, on Oct. 29, 2018, and the Ethiopian Airlines flight, showing their similarities, he said.

He also revealed for the first time officially the physical evidence found at the crash scene that helped make the decision. A device on the wings known as a "flap actuator" was found in the retracted position. The system that helped lead to both crashes can only function if the flaps are retracted.

"I saw that and I said, 'Thank you, anything else?'" Bahrami recalled. "And they said, 'Well, what are you going to do?' I said, 'We'll get back to you.'"

On his way to the Elwell's office, Bahrami ran into the FAA's then-acting deputy, Carl Burleson, and briefed him on the situation. The two of them explained it to the FAA chief and he agreed to halt flights. Bahrami returned to his office to inform Boeing and coordinate the grounding.

"It was quite a disruption, because obviously any airplane at the gate wasn't going to go anywhere," he said. "People had to get deplaned and all that. So, all of that happened really, really fast."

Later that day, President Donald Trump announced the grounding from the White House.

(An earlier version corrected the year Bahrami returned to FAA, and the name of the device found in wreckage.)

– With assistance by Julie Johnsson

(Updates with quote in second-to-last paragraph.)

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